

**IOWA RACING AND GAMING COMMISSION
MINUTES
JUNE 7, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 7, 2012, at Stoney Creek Inn and Conference Center in Johnston, Iowa. Commission members present were Jeff Lamberti, Vice Chair; and members Carl Heinrich, Kris Kramer, Dolores Mertz and Greg Seyfer.

Vice Chair Lamberti called the meeting to order at 8:30 AM and welcomed the two newest members to the Commission, Kris Kramer and Dolores Mertz.

Vice Chair Lamberti moved to the approval of the agenda. Commissioner Heinrich moved to approve the agenda as presented. Commissioner Seyfer seconded the motion, which carried unanimously.

Vice Chair Lamberti moved to the approval of the minutes from the April 19, 2012 Commission meeting. Commissioner Seyfer moved to approve the minutes as submitted. Commissioner Kramer seconded the motion, which carried unanimously.

Vice Chair Lamberti called on Brian Ohorilko, Administrator of IRGC, for announcements. Mr. Ohorilko provided the following information regarding upcoming Commission meetings:

- July 12, 2012 – Prairie Meadows Racetrack & Casino, Altoona, IA (Submission due by June 27, 2012)
- August 23, 2012 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 9, 2012)
- September 27, 2012 – Hotel Julien, Dubuque, IA (Submissions due by September 13, 2012)
- October, 2012 – No Commission Meeting

Vice Chair Lamberti called on Horseshoe Casino-Bluffs Run Greyhound Park/Iowa Greyhound Association (IGA) regarding the audit report of the escrow account for calendar year 2011. Jim Quilty, legal counsel for the IGA, noted that the escrow account was created as a result of an Arbitration Decision between the IGA and Bluffs Run Greyhound Park. He noted that arbitration occurs on an annual basis if the parties cannot come to an agreement regarding the amount of purses. Mr. Quilty stated that the fund was created in the mid-1990's and is used to supplement purses, and interest from the fund is used to promote greyhound racing and other expenses as approved by the Commission.

Vice Chair Lamberti called the Iowa Horsemen's Benevolent Protection Association (IHBP) for a brief report on their upcoming national convention to be held at Prairie Meadows Racetrack and Casino's new hotel commencing June 28th through July 1st. Jon Moss, Executive Director, noted that the local chapter had worked very hard to bring the bi-annual convention to Iowa this year; the convention is held at various tracks around the country. He advised that the National HBPA has a regular organizational structure, but is made up of a conglomeration of all the different HBPA organizations in the various states. Mr. Moss advised that the various organizations could represent an entire state or just one racetrack. He noted that the membership of the National HBPA is approximately 30,000; the Iowa organization has approximately 1,100 members. There are approximately 30 affiliate members around the country. He stated that the National HBPA represents about 72% of the races, 72% of the races written, and 62% of purses at all of the racetracks in the United States and Canada. This amounts to approximately \$600 million on an annual basis. The National HBPA has an economic impact of approximately \$34 billion annually.

Mr. Moss stated that one of the main issues of the HBPA, especially at the affiliate level, is benevolence. He advised that on an annual basis, the HBPA distributes approximately \$11 million in benevolence in the form of medical and dental payments, pensions, disaster relief and emergencies. He noted that the main motto for the HBPA is "Horsemen helping horsemen". Benevolence will be one of the main topics at the convention.

Mr. Moss advised that some of the topics to be discussed at the convention are the National Racing Compact; Simulcasting; Uniform Model Rules for Racing; Medication; Advanced Deposit Wagering/Betting Exchanges; and immigration/immigration workers.

Mr. Moss invited all of the Commissioners to attend the conference. He noted that one of the panel discussions will be on Advanced Deposit Wagering. He advised that Mr. Ohorilko and a PMR&C representative would be sitting on the panel.

Vice Chair Lamberti called on the Isle of Capri (IOC) regarding the ongoing negotiations for the sale of the Rhythm City facility in Davenport. Michael Fries, Vice President of Legal Affairs, advised that IOC is continuing to work with a prospective buyer; that they are further in the process than they have been at any point in the past. IOC has outlined what they feel is an acceptable proposal to Isle, and are waiting to hear back from the buyer. Mr. Fries stated that IOC is aware that the prospective buyer is in discussions with the City of Davenport and Riverboat Development Authority (RDA); however Isle is not a party to those discussions. He explained that their ability to close is contingent upon the buyer reaching an agreement with the City and RDA.

Commissioner Seyfer asked if there is any particular timeframe. Mr. Fries advised that IOC is doing everything in their power to keep the process moving forward, and will keep the Des Moines office apprised of any developments.

Vice Chair Lamberti called on Penn National Gaming (Penn) and Missouri River Historical Development (MRHD). He noted that while the agenda noted a request for the approval of an Operating Agreement and an item pertaining to the license, the issue is much more complicated than that. In order to give everyone an opportunity to address the Commission and maintain some kind of structure, he called on Penn for their remarks.

Carl Sottosanti, VP of Legal Affairs for Penn, advised that Steve Snyder, Sr. VP of Development, Karen Bailey, Director of Public Affairs; Lance George, General Manager of the Sioux City facility; and Lorraine May, outside counsel, were also present. He thanked the Commission members for their patience in working through this matter, which he indicated has been more difficult than he imagined. Mr. Sottosanti stated that the Commission directed Penn to focus on two particular matters: 1) work out a business relationship and resolution with MRHD; and 2) to come back to the Commission with some alternatives for consideration. He advised that Penn heard the Commission loud and clear; and believes that they have left no stone unturned on either front. Mr. Sottosanti stated that Penn believes MRHD has done everything within their power to replace them and disregard their exclusivity commitment rather than work with them.

Mr. Sottosanti addressed the presentations at the March meeting, and indicated that some of the parties in attendance today might become quite animated. He stated that Penn would not participate in a public spectacle or tawdry debate; that they have too much respect for the process, the Commission and their constituents to do so.

Mr. Sottosanti advised that Penn has spent hundreds of thousands of dollars exploring a downtown site that was suggested to them by both MRHD and the city. He further advised that a significant amount of time was spent putting together Memorandums of Understanding (MOUs) for both the city and MRHD, and then answering questions about the MOUs. Mr. Sottosanti stated that Penn believes the MOUs demonstrated that MRHD's aggregate dollars would increase by up to 30%; that the city would be made whole; and that the MOU would benefit the county and the schools as a result of new property revenue. He noted that both the city and MRHD reluctantly told the Commission at the April meeting that the downtown site would work; however, Penn received a letter advising that the site was no longer available. Mr. Sottosanti stated that Penn, heeding the direction of the Commission and left without a site, suggested mediation to the city and MRHD; and proposed that Jack Ketterer, former Administrator of the Commission, serve as the mediator. Penn felt Mr. Ketterer would be an expert in the matter and that his integrity was beyond reproach. He stated that both parties rejected the mediation offer out of hand; again demonstrating to Penn MRHD's desire to replace them rather than work things out. Mr. Sottosanti stated that after MRHD was left with no other alternative after their recent legal wrangling failed; they offered Penn a 2½ year extension. He indicated that offer is misleading, noting that Penn promptly responded to MRHD and advised that without a dismissal of the lawsuit that MRHD has pending against Penn, that Penn could not see a partnership between the parties nor a stable base on which to move forward with any future investment. Mr. Sottosanti advised that Penn is still awaiting a response. He stated that without a dismissal of the lawsuit, Penn finds

themselves with a partner who is not committed to them. He stated that if all of the facts are reviewed objectively, MRHD had a plan to replace Penn and were frustrated that Penn did not capitulate and walk away from a \$100 million investment and has stopped at nothing to wriggle free of their contractual obligations since then.

Mr. Sottosanti stated Penn remains focused on their employees, their jobs and their families. He stated that Penn is the only answer to continuing the gaming operation in Sioux City. He advised that they are also focused on a near-term land-based development. Mr. Sottosanti, on behalf of Penn, requested that the Commission extend the license from the June date to the July date; and then renew their license but with a new qualified sponsoring organization (qso), Friends of Woodbury County, who shares their vision. He advised that their background information is ready to be submitted to the Division of Criminal Investigation; and that further details are ready to be reviewed by the Commission members and staff pending a license. Mr. Sottosanti stated that the new qso would not hurt the community; that the aggregate dollars would be at least the same or greater than what is currently provided to the existing qso. He turned the floor over to Mr. Snyder to discuss the proposed development.

Mr. Snyder advised that Penn had worked for 6-7 months developing a plan to build a new 110,000 square foot entertainment facility in downtown Sioux City that would be accompanied by a 1,500-stall parking ramp. It would include a sports bar, entertainment venue and room for up to 900 slot machines, 20 table games and a small poker room. He reiterated Mr. Sottosanti's comments that Penn has expended hundreds of thousands of dollars in resources in getting design work done in trying to plan for the downtown site; and then receiving the letter on April 27th indicating the site was no longer available. Mr. Snyder stated that Penn remains committed to investing in a new land-based facility in downtown Sioux City that will extend the current employment and increase the number of individuals who will have an opportunity to work at the facility by adding additional venues. He stated that Penn looks forward to a solid partnership with whoever is willing to accept their \$100 million investment to complete that facility; and hopes that it will be in Sioux City and be done relatively quickly. He advised that at this point in time, Penn has no clear guidance, and feels they are back to square zero. Mr. Snyder requested the Commission's support in facilitating an interim step that would allow them to build the facility in downtown Sioux City, extend employment and eliminate the cloud of uncertainty that hangs over the gaming operation – not just for 2½ years, but for a good long time to come. Mr. Snyder indicated that he would be happy to answer any questions.

Vice Chair Lamberti stated that the Commission would hear from MRHD first and then ask any questions that they might have.

Mark Monson, President of MRHD, advised that Dave Bernstein, MRHD member; and Curt Beason, legal counsel, were also present. He thanked the Commission for their time. Mr. Monson stated that given the current situation and time line, MRHD has accepted Penn's proposal for a simple extension to run until March 31, 2015, which the

Board has approved and signed. He stated that a copy has been provided to the Commission. Mr. Monson stated that the agreement will protect Penn's employees from uncertainty as MRHD continues to work toward their goal of a top-notch land-based casino in Woodbury County. He requested the Commission's support on this issue.

Mr. Bernstein stated that Penn's perspective of the issues as expressed by Mr. Sottosanti and Mr. Snyder were interesting, and somewhat overly optimistic in the manner in which the negotiations were described. He advised that the negotiations between the parties over the last year have been incremental, and only when MRHD drew a line in the sand or did not agree to Penn's proposal would Penn consistently up their offer. Mr. Bernstein stated that MRHD believes Woodbury County, whether it is them or another qso, in any proposal accepted and built in Sioux City, should be at terms that are on par with the state-of-the-art in gaming in Iowa. He stated that MRHD should not be forced to accept terms for a land-based casino that are sub-par in percentage or property tax valuation, etc.; that ratcheting up gross gaming revenues and still applying the minimum 3% to those is not necessarily an incremental gain or something that the State or community benefits from which is why the parties have been unable to reach an agreement. Mr. Bernstein advised that the 2½ year extension did come about in the last meeting between the parties, and then in subsequent dialogue, Mr. Snyder raised the matter of MRHD dropping their lawsuit against Penn. He stated that the 2½ year extension was not fabricated; it was discussed at significant length with Mr. Snyder. Mr. Bernstein requested the Commission's consideration; that MRHD is committed to not having the facility shut down, the employees and Woodbury County. He indicated MRHD is willing to do whatever is necessary, but also feels there needs to be a fair proposal going forward that matches some of the other proposals that have recently been approved for the State.

Vice Chair Lamberti opened the floor up for comments, questions, or additional information. Commissioner Heinrich, noting that the parties have been negotiating for approximately one year, stated the two main issues he sees are the percentage paid to MRHD and the city and the facility location. Mr. Bernstein concurred. Commissioner Heinrich asked how much give and take has really taken place during the year; noting that Penn has held to 3% and staying on the river. He inquired as to what MRHD has proposed. Mr. Bernstein advised that MRHD indicated a desire to see the facility go land-based, at which time Penn directed MRHD members to their facility in Perryville, which is basically the same size and scope as the current Sioux City operation, but with a buffet and gift shop. MRHD advised Penn that they were looking for something more in Woodbury County; that they had seen other facilities in Iowa with more amenities. Mr. Bernstein noted that Penn has gradually moved along; at one point Penn proposed a land-based facility if the city would TIF the parking ramp and skyways for approximately \$35 million. This proposal was subsequently dropped. He stated that Penn has always held the percentage to MRHD at 3% and moved along incrementally with the city on property taxes. Mr. Bernstein stated that at one point Penn offered MRHD 3.25%; however, MRHD based the 3.25% on \$70 million. This offer was also retracted as a more elaborate facility came into play. Mr. Bernstein stated that the 3% payment is the main issue for MRHD.

Commissioner Heinrich stated it is his understanding that the parties have essentially agreed to move to a land-based facility. Mr. Bernstein concurred.

Commissioner Heinrich asked what MRHD's original request was of Penn. Mr. Bernstein stated that MRHD felt it would be more prudent for Penn to submit a proposal to MRHD to review. Commissioner Heinrich stated that he is hearing that MRHD did not have a specific request for Penn. Mr. Bernstein indicated that was correct. He indicated that MRHD is also very aware of the various land-based facilities which have recently been built in Iowa. He referenced the Waterloo facility, which occurred in a competitive environment; the non-profit receives 6.75% plus the city receives property tax money. Mr. Bernstein stated that the parties have not approached that level in Sioux City, nor have they come anywhere close. He stated that the MRHD membership feels that what is being offered is many percentage points below what they feel they should be receiving.

Mr. Snyder stated that Penn has been aware of the Commission's desire to move from the riverboat facility to a land-based facility for several years. He advised that several years ago Penn looked at a location in Sioux City for the facility; however, for various reasons that didn't work out. Mr. Snyder stated that Penn has known throughout the negotiations, and has expected, to make a significant investment in a new facility in downtown Sioux City; that Penn has never had a preference to remain on the river on a permanent basis. He stated that principle negotiations have centered on how much capital Penn will invest in a new facility, what amenities will be included, and who will pay for them. He stated that if the parking ramp is going to be available for general parking purposes as well as for the facility, it is Penn's position that it should be a shared obligation. Mr. Snyder stated that the focus of the negotiations over the last six months has been more on the size, scope, dollar amount of investment and incremental jobs that would be created in Sioux City as a result of the investment in the downtown area. He stated that Penn has consistently reminded MRHD representatives that in return for the significant capital investment Penn could not also significantly increase operating costs in the form of higher payments to the qso. He advised that they have been relatively consistent at the 3% level; he noted they did offer 3.25% at one point based on incremental revenue in excess of \$70 million but have never offered that rate from dollar zero. Mr. Snyder stated that Penn views the process as trying to raise the tide of gaming, economic development and employment in Sioux City, and that everyone would benefit from a higher standard, higher scale, higher scope and higher employment. He stated that MRHD has never really asked for a specific percentage.

Commissioner Heinrich stated that he understood Penn was indicating that they did not feel they could successfully work with MRHD, leading them to request a new qso. Mr. Snyder advised that Penn does not feel they can successfully work with anyone that is suing them.

Vice Chair Lamberti noted that the Commission has been dealing with this issue for quite some time, and does not wish to rehash the merits on both sides, noting that he does

believe there are merits on both sides. He noted that both parties have expended a significant amount of effort over the last several months trying to come to an agreement to achieve the Commission's ultimate goal of a land-based facility in Woodbury County. Vice Chair Lamberti noted that the goal has not changed, and the Commission is faced with a unique and difficult situation which the Commission has not previously faced where there is a license running and no operating agreement in place. He noted that at the last meeting the Commission stated that if no agreement was reached then all parties should be prepared to look at alternatives. He advised that the Commission as a whole has struggled with how to move forward with other alternatives given where the negotiations stand. Vice Chair Lamberti expressed his hope that both parties feel they have received a full hearing of the issues on both sides, and does not want to rehash them other than to note that both parties have worked very hard to try and reach an agreement. Having said that, Vice Chair Lamberti noted that it is now June 7th and the Commission has a license that is about to expire, and there is no new operating agreement. He stated that he believes the best way to move forward is to consider other alternatives, but that it needs to be broader than what has been proposed to this point. Vice Chair Lamberti moved to open up the Woodbury County license for new applications to build and operate a land-based facility in Woodbury County; and that the process be open to all interested parties. He directed staff to work on the process: application, time frame, etc.

Commissioner Seyfer noted there are a couple of issues that need to be addressed: one being that the Commission needs to be assured that the existing facility would remain open, and to that extent the Commission will extend the current license through the end of the license year, or March 31, 2013. The second issue would be an extension of the current operating agreement.

Vice Chair Lamberti stated his intention to make a second motion to grant the license through March 31, 2013, on the condition that the parties agree to extend the operating agreement through that time. He indicated that if the first motion passes, and given the understanding that the licensing process will take some time, and certainly beyond March 2013, that the Commission would be committed to doing whatever is necessary to keep the facility open until such time as the new facility opens so that the employees are not impacted. He again indicated that this would hinge on an extension of the operating agreement.

Vice Chair Lamberti stated that he felt the motions reasonably set forth what he would like to see happen. He requested a second to his original motion. Commissioner Mertz seconded the motion.

Commissioner Heinrich clarified that the motion would open up the licensing process to both parties. Vice Chair Lamberti confirmed that the process would be open to any potential operators and potential non-profits; that the process would be as open as it could be.

Hearing no further discussion, Vice Chair Lamberti called for the vote. The motion carried unanimously. (See Order No. 12-58)

Vice Chair Lamberti moved to approve the license for Penn and MRHD through March 31, 2013 pending the agreement of the parties to extend the operating agreement through that date and beyond as jobs would be affected. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-59)

Vice Chair Lamberti called on Affinity Gaming regarding their request for approval of debt refinancing. Bob Thursby, General Manager, advised that there were three goals Affinity was seeking to achieve with the refinancing:

- Reduction of costs – They will save approximately \$5 million in interest annually.
- Increase operating flexibility – Under the current financial covenants through the current year following bankruptcy, the company is restricted to \$30 million in capital expenditures; almost half of which was spent at the Osceola property. Capital expenditures would be increased to \$40 million per year.
- The refinancing improved the company's capacity to improve its existing facilities and seek additional properties.

Hearing no comments or questions concerning the proposed refinancing, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the debt refinancing as submitted by Affinity Gaming, LLC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-60)

Vice Chair Lamberti moved to contract approvals and called on Lady Luck Marquette (LLM). Mr. Fries presented the following contracts for Commission approval:

- Aristocrat Technologies – Purchase of Slot Machines, Parts & Lease Agreements
- Bally Gaming, Inc. – Purchase of Slot Machines, Parts & Lease Agreements
- Konami Gaming, Inc. – Purchase of Slot Machines, Parts & Lease Agreements

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by LLM. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-61)

Vice Chair Lamberti called on Wild Rose Clinton (WRC). Tim Bollmann, General Manager, presented a contract with Konami Gaming for slot machine leases, and the purchase of conversions and parts.

Hearing no comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by WRC. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-62)

Vice Chair Lamberti called on Diamond Jo. Kim Pang, General Manager at Diamond Jo Worth, presented a contract with Porter Wallace Corporation for Event Merchandise.

Hearing no comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contract as submitted by Diamond Jo. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-63)

Vice Chair Lamberti called on IOC Bettendorf. Mr. Fries presented a contract with Multimedia Games for the purchase of slot machines and parts.

Hearing no comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contract as submitted by IOC Bettendorf. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-64)

Vice Chair Lamberti called on Riverside Casino & Golf Resort (RCGR). Dan Franz, General Manager, presented the following contracts for Commission approval:

- Altorfer Power Systems – Pow-R-Guard Maintenance Agreement for Generator(s)
- Global Payment Gaming Services, Inc. – Extension of Check Guarantee Agreement
- Global Payment Gaming Services, Inc. – Extension of CCCA/DCCA Agreement
- Seminole Retail Energy Services, LLC – Master Natural Gas Sales Agreement

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by RCGR. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-65)

Vice Chair Lamberti called on Grand Falls Casino Resort (GFCR). Sharon Haselhoff, General Manager, presented the following contracts for Commission approval:

- Avera McKennan Hospital – Health Plan Costs
- Billion Automotive – Marketing and Slot Promotions
- Honkamp Krueger & Co., P.C. – Accounting Services

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by GFCR. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-66)

Vice Chair Lamberti called on Catfish Bend Casino (CBC). Gary Hoyer, CEO, and Jerry Baum, COO, were available for questions. Mr. Hoyer presented the following contracts for Commission approval:

- Global Cash Access – Cash Advances
- Fidlar Printing Company – Printing of Marketing/Promotional Materials
- Multimedia Games – Purchase/Lease of Slot Machines
- Central Credit – Check Warranty Fees
- Wells Fargo Bank, Berkadia Commercial Mortgage – Loan Extension

Mr. Hoyer advised that the contract with Well Fargo Bank, Berkadia Commercial Mortgage, is a request for a short term extension of their existing loan. He advised that it is beneficial to the company in both rate and term. Mr. Hoyer stated that they are continuing to seek a longer term for refinancing and hope to have that before the Commission by the end of the year.

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contracts as submitted by CBC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-67)

Vice Chair Lamberti called on Harrah's. Janae Sternberg, Director of Finance, presented the following contracts for Commission approval:

- Harrah's Iowa Arena Management, LLC – Management of Mid America Center
- MCL Construction – Construction of Doors for Concert Cove
- Midwest Diving Service – Dredging and Diving Company

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the contracts as submitted by Harrah's. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-68)

Vice Chair Lamberti called on Horseshoe Casino/Bluffs Run. Ms. Sternberg presented a contract with Harrah's Iowa Arena Management, LLC for management of the Mid America Center.

Commissioner Heinrich stated that he was pleased to see Harrah's and Horseshoe Casino take over management of the facility.

Hearing no further comments or questions concerning the contract, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the contract as submitted by Horseshoe Casino/Bluffs Run. Commissioner Mertz seconded the motion, which carried unanimously. (See Order No. 12-69)

Vice Chair Lamberti called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, presented the following contracts for Commission approval:

- Advanced Digital Solutions – Surveillance System Upgrade
- Baker Group – Surveillance System Upgrade
- Control Installations of Iowa – Surveillance System Upgrade
- EPI Technologies, Inc. – Surveillance System Upgrade
- High Plains Technology – Computer Hardware, Software and Related Services
- IK Systems, Inc. – Surveillance System Upgrade
- Inteconnex – Surveillance System Upgrade
- JAMS – Promotional Items
- Mechdyne Corporation – Surveillance System Upgrade
- Technical Security Integration, Inc. – Surveillance System Upgrade
- Triplett Office Solutions – Office Supplies
- USA Security Iowa – Surveillance System Upgrade

Hearing no comments or questions concerning the contracts, Vice Chair Lamberti requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-70)

Vice Chair Lamberti moved to the hearing for Diamond Jo Worth regarding a violation of Iowa Code §99F.5 (Minor), which has been resolved by a Stipulated Agreement. He called on Mr. Ohorilko, who provided a brief synopsis of the incident. Mr. Ohorilko advised that on February 13th at 9:43 AM, a minor female was allowed to enter the casino unchallenged. He stated that she was on the gaming floor for 34 minutes and played eleven different machines. Mr. Ohorilko stated that DJW acknowledges that the facts constitute a violation of Iowa Code §99F.5. The Commission's precedent for a violation of this nature where the three criteria have been met (The minor gained entrance unchallenged, was on the gaming floor for 30 minutes, and gambled) calls for an administrative penalty of \$20,000. Mr. Ohorilko indicated that staff had worked with Mr. Pang with regard to the Stipulated Agreement and DJW has agreed to the penalty.

Mr. Pang advised that DJW takes this situation very seriously, and was not proud of the fact that their facility incurred the first violation under Mr. Ohorilko's administration. He stated that upon receiving notification of the violation, he immediately reviewed the security tapes and it was very obvious that the security officer made no attempt to ID the individual. Mr. Pang stated that the minor female was approached by a slot ambassador who asked if she wanted to sign up for a players club account. When the individual provided her driver's license to the slot ambassador, who gave it to a player's club representative to be swiped through a management system scanner, it was discovered that the individual was a minor. A supervisor was contacted, who then contacted security. The security officer was suspended, and the surveillance tape was used to provide

training to the security officers to remind them to be sure and check the identification of individuals seeking to gain entrance to the casino.

Hearing no comments or questions concerning the proposed Stipulated Agreement, Vice Chair Lamberti requested a motion. Commissioner Mertz moved to approve the Stipulated Agreement as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-71)

As there was no Public Comment, Vice Chair Lamberti moved to Administrative Business, and called on Mr. Ohorilko. Mr. Ohorilko advised that the Commission was accepting applications for the Dog Racing Promotion Fund. Any interested party should submit their application to the Commission's Des Moines office by July 2, 2012. He stated that the application would be posted to the Commission's website.

Mr. Ohorilko moved to the regulatory fees for Fiscal Year 2013. He advised that Iowa Code requires the Commission to collect regulatory fees, which are comprised of the Commission's appropriations from the Legislature and the Division of Criminal Investigation's (DCI) costs of agents, and direct and indirect costs at each facility. He noted that two years ago the DCI's appropriations were moved into a revolving fund, as were the Commission's last year. This means the funds are paid directly to the Commission and the DCI. Mr. Ohorilko stated that the proposed fees were sent to facilities upon receipt of the final allocation of costs from the DCI. He noted that both revolving funds are required to cash flow; therefore, the Commission has incorporated a policy of billing for five weeks in advance at the beginning of the fiscal year, and then stops collecting fees five weeks prior to the end of the fiscal year. He stated that the Commission would like to follow that policy for FY13 and noted that any money left over from the current fiscal year will be reverted back to the licensees as a credit. That information should be available around Labor Day.

Hearing no comments or questions concerning the regulatory fees, Vice Chair Lamberti requested a motion. Commissioner Heinrich moved to approve the regulatory fees for Fiscal Year 2013 as submitted. Commissioner Kramer seconded the motion, which carried unanimously. (See Order No. 12-72)

Mr. Ohorilko provided a brief overview of the 2012 Legislative Session as it related to IRGC. He noted there was no legislation passed in 2012 which impacted the Commission. One proposed bill on which the Commission received numerous questions was the legalization of internet poker in Iowa. The bill would have allowed the state-licensed casinos to partner with an internet hub operator to conduct poker games within a network that was authorized and regulated by the Commission. The bill was passed by the Senate; but did not pass the House. Mr. Ohorilko stated that a number of other states are looking at internet poker, and believes this issue will surface in future legislative sessions.

Vice Chair Lamberti called for any comments or questions. He asked how many states have approved internet poker since it became legal. Mr. Ohorilko advised that only Nevada has enacted legislation so far.

As there was no further business to come before the Commission, Vice Chair Lamberti requested a motion to adjourn. Commissioner Heinrich so moved. Commissioner Kramer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:
